

**FACTORS THAT DETERMINE INDEPENDENT DIRECTOR'S EXISTENCE ON THE  
BOARD OF DIRECTORS: EVIDENCE FROM MALAYSIAN LISTED COMPANIES**

**BY:**

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**In Partial Fulfillment of the Requirement for the Degree of Master of Finance**

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## **ABSTRACT**

The purpose of this paper is to study the determinants of the presence of independent directors on boards of directors. Based on the agency theory, we study the different factors influencing the nomination of independent directors. The tests were applied to a sample of 71 companies belonging to Bursa Malaysia Main Market from 2007 to 2009. Using an OLS data regression framework, the findings show that the, coalition control, leverage and CEO tenure determine the independence of the board from the management. The result indicated that when the part of capital represented on the board and held by the coalition of control is low, the presence of independent directors is more important. The presence of the independent directors is significantly and positively determined by the level of debt and CEO tenure. However, we do not find evidence of the influence of the ownership structure, Company size and CEO Duality.

**Keywords:** Corporate governance, Independent directors, Ownership structure, board independence

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## **LIST OF APPROVIATION**

|                       |  |
|-----------------------|--|
| <b>ACE</b>            | Access, Certainty and Efficiency                                   |
| <b>BURSA MALAYSIA</b> | Malaysian stock exchange   |
| <b>CEO</b>            | Chief Executive Officer  |
| <b>IPO</b>            | Initial Public Offering  |
| <b>KLSE</b>           | Kuala Lumpur Stock Exchange  |
| <b>MCCG</b>           | Malaysian Code on Corporate Governance                             |
| <b>MESDAQ</b>         | Malaysia Exchange of Securities Dealing and Automated<br>Quotation |
| <b>PINDEP</b>         | Percentage of independent directors on the board                   |
| <b>OLS</b>            | Ordinary Least Square  |
| <b>OECD</b>           | Organization for Economic Cooperation and Development              |
| <b>ROA</b>            | Return on Assets   |
| <b>ROE</b>            | Return on Equity   |
| <b>R&amp;D</b>        | Research and Development   |
| <b>SC</b>             | Securities Commission  |
| <b>USA</b>            | United States of America   |
| <b>UK</b>             | United Kindom  |

# **CHAPTER ONE**

## **1.0 INTRODUCTION AND BACKGROUND**

### **1.1 INTRODUCTION**

Chapter one discusses the content of the research outline. It provides the bases of this current research. This chapter explains the fundamental of the research containing of the background, the development of Malaysian corporate governance, problem statement, research objectives and questions, significance, scope, definition of terms. The summary of the chapter is given at the end of the chapter.

### **1.2 BACKGROUND**

Corporate governance has been a vital framework of rules and practices that determine corporate direction and performance. This issue of ensuring effective corporate governance has become a well-known discussion in the developed countries and as well as developing countries. Usually, the development of the corporate governance literature has highlighted a firm of having good corporate governance by considering an institution or management team that can affect the firm performance in the organization. This has been well agreed from previous studies carried out in both developed countries like the US and the UK, and also in developing countries like Malaysia, Sri Lanka, Thailand and Taiwan.

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**APPENDIX A**  
**DESCRIPTIVE STATISTICS**

**APPENDIX A1**

**Descriptive Statistics (2007)**

|           | Mean          | Std. Deviation | N  |
|-----------|---------------|----------------|----|
| PINDEP    | .399585       | .1154041       | 71 |
| INSTIT    | .607214       | .2111561       | 71 |
| COALITION | .250024794694 | .2921970830739 | 71 |
| LEV       | .827143370155 | .7687297139793 | 71 |
| TENURE    | 7.83          | 7.089          | 71 |
| LOGSIZE   | 7.192359939   | 1.2835947992   | 71 |
| DUALITY   | .14           | .350           | 71 |

**Descriptive Statistics (2008)**

|           | Mean          | Std. Deviation | N  |
|-----------|---------------|----------------|----|
| PINDEP    | .423789       | .1306421       | 71 |
| INSTIT    | .610908       | .2170536       | 71 |
| COALITION | .284907887882 | .3997297402354 | 71 |
| LEV       | .793497577872 | .6447837627104 | 71 |
| TENURE    | 8.82          | 7.102          | 71 |
| LOGSIZE   | 7.061131606   | 1.4912123689   | 71 |
| DUALITY   | .15           | .364           | 71 |

**Descriptive Statistics (2009)**

|           | Mean          | Std. Deviation | N  |
|-----------|---------------|----------------|----|
| PINDEP    | .425444       | .1157116       | 71 |
| INSTIT    | .610976       | .2240534       | 71 |
| COALITION | .259795420589 | .3159927985146 | 71 |
| LEV       | .779234794939 | .7105991178918 | 71 |
| TENURE    | 9.77          | 7.148          | 71 |
| LOGSIZE   | 7.163345914   | 1.3069519321   | 71 |
| DUALITY   | .17           | .377           | 71 |

## APPENDIX A2

### Descriptive Statistics (Pool Data)

|           | Mean          | Std. Deviation | N   |
|-----------|---------------|----------------|-----|
| PINDEP    | .416273       | .1208067       | 213 |
| INSTIT    | .609699       | .2164638       | 213 |
| COALITION | .264909367721 | .3378413309553 | 213 |
| LEV       | .799958580989 | .7067761886142 | 213 |
| TENURE    | 8.81          | 7.124          | 213 |
| LOGSIZE   | 7.138945820   | 1.3584752790   | 213 |
| DUALITY   | .15           | .363           | 213 |

**APPENDIX B**

**CORRELATIONS MATRIX**

**APPENDIX B1(2007)**

|               |                 | PINDEP | INSTIT  | COALITI<br>ON | LEV   | TENURE | LOGSIZE | DUALITY |
|---------------|-----------------|--------|---------|---------------|-------|--------|---------|---------|
| PINDEP        | Pearson         | 1      | -.023   | -.012         | .143  | .027   | .015    | -.036   |
|               | Correlation     |        |         |               |       |        |         |         |
|               | Sig. (1-tailed) |        | .425    | .469          | .117  | .411   | .452    | .382    |
|               | N               | 71     | 71      | 71            | 71    | 71     | 71      | 71      |
| INSTIT        | Pearson         | -.023  | 1       | -.011         | .012  | .064   | -.332** | .058    |
|               | Correlation     |        |         |               |       |        |         |         |
|               | Sig. (1-tailed) | .425   |         | .000          | .460  | .297   | .002    | .315    |
|               | N               | 71     | 71      | 71            | 71    | 71     | 71      | 71      |
| COALITI<br>ON | Pearson         | -.012  | -.011   | 1             | -.163 | .214*  | .208*   | -.028   |
|               | Correlation     |        |         |               |       |        |         |         |
|               | Sig. (1-tailed) | .469   | .000    |               | .087  | .037   | .041    | .409    |
|               | N               | 71     | 71      | 71            | 71    | 71     | 71      | 71      |
| LEV           | Pearson         | .143   | .012    | -.163         | 1     | -.030  | -.077   | -.059   |
|               | Correlation     |        |         |               |       |        |         |         |
|               | Sig. (1-tailed) | .117   | .460    | .087          |       | .401   | .261    | .311    |
|               | N               | 71     | 71      | 71            | 71    | 71     | 71      | 71      |
| TENURE        | Pearson         | .027   | .064    | .214*         | -.030 | 1      | .151    | .188    |
|               | Correlation     |        |         |               |       |        |         |         |
|               | Sig. (1-tailed) | .411   | .297    | .037          | .401  |        | .105    | .058    |
|               | N               | 71     | 71      | 71            | 71    | 71     | 71      | 71      |
| LOGSIZE       | Pearson         | .015   | -.332** | .208*         | -.077 | .151   | 1       | .154    |
|               | Correlation     |        |         |               |       |        |         |         |
|               | Sig. (1-tailed) | .452   | .002    | .041          | .261  | .105   |         | .099    |
|               | N               | 71     | 71      | 71            | 71    | 71     | 71      | 71      |
| DUALITY       | Pearson         | -.036  | .058    | -.028         | -.059 | .188   | .154    | 1       |
|               | Correlation     |        |         |               |       |        |         |         |
|               | Sig. (1-tailed) | .382   | .315    | .409          | .311  | .058   | .099    |         |
|               | N               | 71     | 71      | 71            | 71    | 71     | 71      | 71      |

# CORRELATION

## APPENDIXB2 (2008)

|           |                     | PINDEP | INSTIT  | COALITION | LEV    | TENURE | LOGSIZE | DUALITY |
|-----------|---------------------|--------|---------|-----------|--------|--------|---------|---------|
| PINDEP    | Pearson Correlation | 1      | 0.089   | -0.011    | 0.094  | 0.138  | 0.039   | .309**  |
|           | Sig. (1-tailed)     |        | 0.23    | 0.239     | 0.219  | 0.125  | 0.372   | 0.004   |
|           | N                   | 71     | 71      | 71        | 71     | 71     | 71      | 71      |
| INSTIT    | Pearson Correlation | 0.089  | 1       | -.012**   | -0.015 | 0.058  | -.311** | 0.019   |
|           | Sig. (1-tailed)     | 0.23   |         | 0.003     | 0.45   | 0.316  | 0.004   | 0.438   |
|           | N                   | 71     | 71      | 71        | 71     | 71     | 71      | 71      |
| COALITION | Pearson Correlation | -0.011 | -.012   | 1         | -0.194 | 0.094  | 0.073   | -0.081  |
|           | Sig. (1-tailed)     | 0.239  | 0.003   |           | 0.053  | 0.217  | 0.271   | 0.25    |
|           | N                   | 71     | 71      | 71        | 71     | 71     | 71      | 71      |
| LEV       | Pearson Correlation | 0.094  | -0.015  | -0.194    | 1      | -0.136 | -0.036  | -0.038  |
|           | Sig. (1-tailed)     | 0.219  | 0.45    | 0.053     |        | 0.129  | 0.382   | 0.376   |
|           | N                   | 71     | 71      | 71        | 71     | 71     | 71      | 71      |
| TENURE    | Pearson Correlation | 0.138  | 0.058   | 0.094     | -0.136 | 1      | 0.165   | 0.144   |
|           | Sig. (1-tailed)     | 0.125  | 0.316   | 0.217     | 0.129  |        | 0.084   | 0.116   |
|           | N                   | 71     | 71      | 71        | 71     | 71     | 71      | 71      |
| LOGSIZE   | Pearson Correlation | 0.039  | -.311** | 0.073     | -0.036 | 0.165  | 1       | 0.013   |
|           | Sig. (1-tailed)     | 0.372  | 0.004   | 0.271     | 0.382  | 0.084  |         | 0.456   |
|           | N                   | 71     | 71      | 71        | 71     | 71     | 71      | 71      |
| DUALITY   | Pearson Correlation | .309** | 0.019   | -0.081    | -0.038 | 0.144  | 0.013   | 1       |
|           | Sig. (1-tailed)     | 0.004  | 0.438   | 0.25      | 0.376  | 0.116  | 0.456   |         |
|           | N                   | 71     | 71      | 71        | 71     | 71     | 71      | 71      |

# CORRELATION

## APPENDIX B3 (2009)

|           |                     | PINDEP | INSTIT  | COALITION | LEV   | TENURE | LOGSIZE | DUALITY |
|-----------|---------------------|--------|---------|-----------|-------|--------|---------|---------|
| PINDEP    | Pearson Correlation | 1      | -.060   | -.012     | .258* | .126   | .166    | .145    |
|           | Sig. (1-tailed)     |        | .311    | .319      | .015  | .148   | .083    | .113    |
|           | N                   | 71     | 71      | 71        | 71    | 71     | 71      | 71      |
| INSTIT    | Pearson Correlation | -.060  | 1       | -.011     | .007  | .076   | -.298** | .013    |
|           | Sig. (1-tailed)     | .311   |         | .007      | .477  | .263   | .006    | .456    |
|           | N                   | 71     | 71      | 71        | 71    | 71     | 71      | 71      |
| COALITION | Pearson Correlation | -.012  | -.011   | 1         | -.126 | .298** | .060    | .000    |
|           | Sig. (1-tailed)     | .319   | .007    |           | .148  | .006   | .310    | .499    |
|           | N                   | 71     | 71      | 71        | 71    | 71     | 71      | 71      |
| LEV       | Pearson Correlation | .258*  | .007    | -.126     | 1     | -.181  | -.094   | .018    |
|           | Sig. (1-tailed)     | .015   | .477    | .148      |       | .066   | .218    | .442    |
|           | N                   | 71     | 71      | 71        | 71    | 71     | 71      | 71      |
| TENURE    | Pearson Correlation | .126   | .076    | .298**    | -.181 | 1      | .151    | .099    |
|           | Sig. (1-tailed)     | .148   | .263    | .006      | .066  |        | .104    | .206    |
|           | N                   | 71     | 71      | 71        | 71    | 71     | 71      | 71      |
| LOGSIZE   | Pearson Correlation | .166   | -.298** | .060      | -.094 | .151   | 1       | .194    |
|           | Sig. (1-tailed)     | .083   | .006    | .310      | .218  | .104   |         | .052    |
|           | N                   | 71     | 71      | 71        | 71    | 71     | 71      | 71      |
| DUALITY   | Pearson Correlation | .145   | .013    | .000      | .018  | .099   | .194    | 1       |
|           | Sig. (1-tailed)     | .113   | .456    | .499      | .442  | .206   | .052    |         |
|           | N                   | 71     | 71      | 71        | 71    | 71     | 71      | 71      |

## CORRELATION

### APPENDIX B4 (POOL DATA)

|            |                     | PINDEP | INSTIT  | COALITION | LEV    | TENURE | LOGSIZE | DUALITY |
|------------|---------------------|--------|---------|-----------|--------|--------|---------|---------|
| PINDEP     | Pearson Correlation | 1      | 0.006   | -.010     | .159*  | 0.107  | 0.068   | .150*   |
|            | Sig. (1-tailed)     |        | 0.464   | 0.245     | 0.01   | 0.059  | 0.163   | 0.014   |
|            | N                   | 213    | 213     | 213       | 213    | 213    | 213     | 213     |
| INS<br>TIT | Pearson Correlation | 0.006  | 1       | -.011     | 0.002  | 0.067  | -.312** | 0.029   |
|            | Sig. (1-tailed)     | 0.464  |         | 0         | 0.49   | 0.166  | 0       | 0.335   |
|            | N                   | 213    | 213     | 213       | 213    | 213    | 213     | 213     |
| COALITION  | Pearson Correlation | -.010  | -.011   | 1         | -.159* | .191** | 0.104   | -0.039  |
|            | Sig. (1-tailed)     | 0.245  | 0       |           | 0.01   | 0.003  | 0.066   | 0.284   |
|            | N                   | 213    | 213     | 213       | 213    | 213    | 213     | 213     |
| LEV        | Pearson Correlation | .159*  | 0.002   | -.159*    | 1      | -.115* | -0.068  | -0.027  |
|            | Sig. (1-tailed)     | 0.01   | 0.49    | 0.01      |        | 0.047  | 0.162   | 0.348   |
|            | N                   | 213    | 213     | 213       | 213    | 213    | 213     | 213     |
| TENURE     | Pearson Correlation | 0.107  | 0.067   | .191**    | -.115* | 1      | .154*   | .145*   |
|            | Sig. (1-tailed)     | 0.059  | 0.166   | 0.003     | 0.047  |        | 0.012   | 0.017   |
|            | N                   | 213    | 213     | 213       | 213    | 213    | 213     | 213     |
| LOGSIZE    | Pearson Correlation | 0.068  | -.312** | 0.104     | -0.068 | .154*  | 1       | .115*   |
|            | Sig. (1-tailed)     | 0.163  | 0       | 0.066     | 0.162  | 0.012  |         | 0.047   |
|            | N                   | 213    | 213     | 213       | 213    | 213    | 213     | 213     |
| DUALITY    | Pearson Correlation | .150*  | 0.029   | -0.039    | -0.027 | .145*  | .115*   | 1       |
|            | Sig. (1-tailed)     | 0.014  | 0.335   | 0.284     | 0.348  | 0.017  | 0.047   |         |
|            | N                   | 213    | 213     | 213       | 213    | 213    | 213     | 213     |

**APPENDIX C**  
**REGRESSION (2007)**

**APPENDIX C1**

**Variables Entered/Removed<sup>b</sup>**

| Model | Variables Entered  | Variables Removed | Method  |
|-------|--|-------------------|---------|
| 1     | INSTIT,<br>COALITION,<br>LEV,<br>LOGSIZE,<br>TENURE,<br>DUALITY, |                   | . Enter |

a. All requested variables entered.

b. Dependent Variable: PINDEP

**Model Summary<sup>b</sup>**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .285 <sup>a</sup> | .434     | -.375             | .1166117                   |

a. Predictors: (Constant), Institutional, Coalition, Leverage, LogSize, Tenure, Duality

b. Dependent Variable: PINDEP

**ANOVA<sup>b</sup>**

| Model |            | Sum of Squares | df | Mean Square | F    | Sig.              |
|-------|------------|----------------|----|-------------|------|-------------------|
| 1     | Regression | .076           | 7  | .011        | .024 | .595 <sup>a</sup> |
|       | Residual   | .857           | 63 | .014        |      |                   |
|       | Total      | .932           | 70 |             |      |                   |

a. Predictors: (Constant), INSTIT ,COALITION, LEV, LOGSIZE, TENURE, DUALITY

b. Dependent Variable: PINDEP

**Coefficients<sup>a</sup>**

| Model        | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig.  | Collinearity Statistics |       |
|--------------|-----------------------------|------------|---------------------------|-------|-------|-------------------------|-------|
|              | B                           | Std. Error | Beta                      |       |       | Tolerance               | VIF   |
| 1 (Constant) | 0.496                       | 0.129      |                           | 3.837 | 0     |                         |       |
| INSTIT       | -0.002                      | 0.077      | -0.003                    | -0.02 | 0.984 | 0.738                   | 1.355 |
| COALITION    | -0.011                      | 0.055      | 0.018                     | -1.73 | 0.011 | 0.759                   | 1.317 |
| LEV          | 0.02                        | 0.019      | 0.134                     | 1.089 | 0.28  | 0.96                    | 1.041 |
| TENURE       | 0                           | 0.002      | 0.016                     | 0.126 | 0.9   | 0.873                   | 1.146 |
| LOGSIZE      | 0.001                       | 0.012      | 0.006                     | 0.049 | 0.961 | 0.832                   | 1.202 |
| DUALITY      | -0.036                      | 0.043      | -0.108                    | 0.829 | 0.41  | 0.859                   | 1.164 |

a. Dependent Variable: PINDEP

**Collinearity Diagnostics<sup>a</sup>**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions |        |           |      |        |         |         |
|-------|-----------|------------|-----------------|----------------------|--------|-----------|------|--------|---------|---------|
|       |           |            |                 | (Constant)           | INSTIT | COALITION | LEV  | TENURE | LOGSIZE | DUALITY |
| 1     | 1         | 5.647      | 1               | 0                    | 0      | 0.01      | 0.01 | 0.01   | 0       | 0       |
|       | 2         | 0.868      | 2.55            | 0                    | 0      | 0         | 0.02 | 0.01   | 0       | 0.77    |
|       | 3         | 0.654      | 2.939           | 0                    | 0.01   | 0.42      | 0.17 | 0.04   | 0       | 0.01    |
|       | 4         | 0.362      | 3.948           | 0                    | 0.02   | 0.27      | 0.53 | 0.2    | 0       | 0.07    |
|       | 5         | 0.341      | 4.069           | 0                    | 0.01   | 0.01      | 0.22 | 0.7    | 0       | 0.03    |
|       | 6         | 0.076      | 8.614           | 0                    | 0.65   | 0.26      | 0.01 | 0.02   | 0.06    | 0       |
|       | 7         | 0.008      | 26.204          | 0.98                 | 0.3    | 0.03      | 0.03 | 0.01   | 0.72    | 0       |

a. Dependent Variable: PINDEP

**Residuals Statistics<sup>a</sup>**

|                      | Minimum   | Maximum  | Mean     | Std. Deviation | N  |
|----------------------|-----------|----------|----------|----------------|----|
| Predicted Value      | .317228   | .464801  | .399585  | .0328582       | 71 |
| Residual             | -.2472435 | .3641930 | .0000000 | .1106275       | 71 |
| Std. Predicted Value | -2.506    | 1.985    | .000     | 1.000          | 71 |
| Std. Residual        | -2.120    | 3.123    | .000     | .949           | 71 |

a. Dependent Variable: PINDEP



**APPENDIX C2**  
**REGRESSION (2008)**

**Variables Entered/Removed<sup>b</sup>**

| Model | Variables Entered  | Variables Removed | Method |
|-------|--|-------------------|--------|
| 1     | INSTIT,<br>COALITION,<br>LEV,<br>LOGSIZE,<br>TENURE,<br>DUALITY, |                   | Enter  |

a. All requested variables entered.

b. Dependent Variable: PINDEP

**Model Summary<sup>b</sup>**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .430 <sup>a</sup> | .393     | .349              | .1242983                   |

a. Predictors: (Constant), INSTIT,COALITION,LEV,LOGSIZE,TENURE,LOGSIZE,TENURE, DUALITY

b. Dependent Variable: PINDEP

**ANOVA<sup>b</sup>**

| Model |            | Sum of Squares | df | Mean Square | F     | Sig.              |
|-------|------------|----------------|----|-------------|-------|-------------------|
| 1     | Regression | .221           | 7  | .032        | 2.047 | .063 <sup>a</sup> |
|       | Residual   | .973           | 63 | .015        |       |                   |
|       | Total      | 1.195          | 70 |             |       |                   |

a. Predictors: (Constant), INSTIT,COALITION,LEV,LOGSIZE,TENURE,LOGSIZE,TENURE, DUALITY

b. Dependent Variable: PINDEP

**Coefficients<sup>a</sup>**

| Model      | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig.  | Collinearity Statistics |       |
|------------|-----------------------------|------------|---------------------------|--------|-------|-------------------------|-------|
|            | B                           | Std. Error | Beta                      |        |       | Tolerance               | VIF   |
| (Constant) | 0.496                       | 0.129      |                           | 3.837  | 0     |                         |       |
| 1 INSTIT   | -0.002                      | 0.077      | -0.003                    | -0.02  | 0.984 | 0.738                   | 1.355 |
| COALITION  | -0.011                      | 0.055      | 0.018                     | -1.73  | 0.011 | 0.759                   | 1.317 |
| LEV        | 0.02                        | 0.019      | 0.134                     | 1.089  | 0.28  | 0.96                    | 1.041 |
| TENURE     | 0                           | 0.002      | 0.016                     | 0.126  | 0.9   | 0.873                   | 1.146 |
| LOGSIZE    | 0.001                       | 0.012      | 0.006                     | 0.049  | 0.961 | 0.832                   | 1.202 |
| DUALITY    | -0.036                      | 0.043      | -0.108                    | -0.829 | 0.41  | 0.859                   | 1.164 |

a. Dependent Variable: PINDE

**Collinearity Diagnostics<sup>a</sup>**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions |        |           |      |        |         |         |
|-------|-----------|------------|-----------------|----------------------|--------|-----------|------|--------|---------|---------|
|       |           |            |                 | (Constant)           | INSTIT | COALITION | LEV  | TENURE | LOGSIZE | DUALITY |
| 1     | 1         | 5.653      | 1               | 0                    | 0      | 0.01      | 0.01 | 0.01   | 0       | 0       |
|       | 2         | 0.862      | 2.561           | 0                    | 0      | 0.08      | 0    | 0      | 0       | 0       |
|       | 3         | 0.693      | 2.855           | 0                    | 0      | 0.52      | 0.1  | 0.01   | 0       | 0.075   |
|       | 4         | 0.392      | 3.799           | 0                    | 0      | 0.16      | 0.32 | 0.44   | 0       | 0.07    |
|       | 5         | 0.256      | 4.703           | 0                    | 0.04   | 0.01      | 0.5  | 0.5    | 0       | 0.08    |
|       | 6         | 0.093      | 7.782           | 0                    | 0.57   | 0.12      | 0.03 | 0      | 0.1     | 0       |
|       | 7         | 0.01       | 23.819          | 0.99                 | 0.33   | 0.1       | 0.03 | 0      | 0.55    | 0.05    |

a. Dependent Variable: PINDEP

**Residuals Statistics<sup>a</sup>**

|                      | Minimum   | Maximum  | Mean     | Std. Deviation | N  |
|----------------------|-----------|----------|----------|----------------|----|
| Predicted Value      | .317228   | .464801  | .399585  | .0328582       | 71 |
| Residual             | -.2472435 | .3641930 | .0000000 | .1106275       | 71 |
| Std. Predicted Value | -2.506    | 1.985    | .000     | 1.000          | 71 |
| Std. Residual        | -2.120    | 3.123    | .000     | .949           | 71 |

a. Dependent Variable: PINDEP

**APPENDIX C3**  
**REGRESSION (2009)**

**Variables Entered/Removed<sup>b</sup>**

| Model | Variables Entered  | Variables Removed | Method |
|-------|--|-------------------|--------|
| 1     | INSTIT,<br>COALITION,<br>LEV,<br>LOGSIZE,<br>TENURE,<br>DUALITY, |                   | Enter  |

a. All requested variables entered.

b. Dependent Variable: PINDEP

**Model Summary<sup>b</sup>**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .511 <sup>a</sup> | .431     | .370              | .1048757                   |

a. Predictors: (Constant), Duality, Coalition, Leverage, LogSize, Tenure, Institutional

b. Dependent Variable: PINDEP

**ANOVA<sup>b</sup>**

| Model |            | Sum of Squares | df | Mean Square | F    | Sig.              |
|-------|------------|----------------|----|-------------|------|-------------------|
| 1     | Regression | .244           | 7  | .035        | .025 | .006 <sup>a</sup> |
|       | Residual   | .693           | 63 | .011        |      |                   |
|       | Total      | .937           | 70 |             |      |                   |

a. Predictors: (Constant), Duality, Coalition, Leverage, LogSize, Tenure, Institutional

b. Dependent Variable: PINDEP

**Coefficients<sup>a</sup>**

| Model |            | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig.  | Collinearity Statistics |       |
|-------|------------|-----------------------------|------------|---------------------------|--------|-------|-------------------------|-------|
|       |            | B                           | Std. Error | Beta                      |        |       | Tolerance               | VIF   |
| 1     | (Constant) | 0.51                        | 0.118      |                           | 4.32   | 0     |                         |       |
|       | INSTIT     | -0.027                      | 0.063      | -0.053                    | -0.434 | 0.665 | 0.788                   | 1.269 |
|       | COALITION  | -0.016                      | 0.044      | -0.1                      | -1.93  | 0.01  | 0.801                   | 1.249 |
|       | LEV        | 0.042                       | 0.018      | 0.258                     | 2.32   | 0.024 | 0.946                   | 1.057 |
|       | TENURE     | 0.003                       | 0.002      | 0.175                     | 1.471  | 0.146 | 0.827                   | 1.21  |
|       | LOGSIZE    | 0.008                       | 0.011      | 0.092                     | 0.771  | 0.443 | 0.825                   | 1.213 |
|       | DUALITY    | 0                           | 0.035      | 0.001                     | 0.01   | 0.992 | 0.884                   | 1.131 |

a. Dependent Variable: PINDEP

**Collinearity Diagnostics<sup>a</sup>**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions |        |           |      |        |         |         |
|-------|-----------|------------|-----------------|----------------------|--------|-----------|------|--------|---------|---------|
|       |           |            |                 | (Constant)           | INSTIT | COALITION | LEV  | TENURE | LOGSIZE | DUALITY |
| 1     | 1         | 5.758      | 1               | 0                    | 0      | 0.01      | 0.01 | 0.01   | 0       | 0.01    |
|       | 2         | 0.813      | 2.662           | 0                    | 0      | 0.01      | 0    | 0      | 0       | 0.85    |
|       | 3         | 0.662      | 2.95            | 0                    | 0.01   | 0.41      | 0.18 | 0.04   | 0       | 0       |
|       | 4         | 0.399      | 3.798           | 0                    | 0.02   | 0.3       | 0.53 | 0.08   | 0       | 0.01    |
|       | 5         | 0.228      | 5.022           | 0                    | 0.01   | 0.07      | 0.22 | 0.82   | 0       | 0.01    |
|       | 6         | 0.091      | 7.948           | 0                    | 0.67   | 0.15      | 0    | 0.01   | 0.07    | 0       |
|       | 7         | 0.008      | 26.785          | 0.99                 | 0.25   | 0.04      | 0.05 | 0.01   | 0.72    | 0       |

a. Dependent Variable: PINDEP

**Residuals Statistics<sup>a</sup>**

|                      | Minimum  | Maximum  | Mean     | Std. Deviation | N  |
|----------------------|----------|----------|----------|----------------|----|
| Predicted Value      | 0.273565 | 0.592229 | 0.425444 | 0.059077       | 71 |
| Residual             | -0.26287 | 0.311711 | 0        | 0.099494       | 71 |
| Std. Predicted Value | -2.571   | 2.823    | 0        | 1              | 71 |
| Std. Residual        | -2.506   | 2.972    | 0        | 0.949          | 71 |

a. Dependent Variable: PINDEP

**APPENDIX C4**  
**REGRESSION (POOL DATA)**

**Variables Entered/Removed<sup>b</sup>**

| Model | Variables Entered  | Variables Removed | Method |
|-------|--|-------------------|--------|
| 1     | Duality, Leverage, Institutional, Tenure, LogSize, Coalition |                   | Enter  |

a. All requested variables entered.

b. Dependent Variable: PINDEP

**Model Summary<sup>b</sup>**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .368 <sup>a</sup> | .41      | .37               | .1142136                   |

a. Predictors: (Constant), INSTIT, COALITION, LEV, TENURE, LOGSIZE, DUALITY

b. Dependent Variable: PINDEP

**ANOVA<sup>b</sup>**

| Model |            | Sum of Squares | df  | Mean Square | F    | Sig.              |
|-------|------------|----------------|-----|-------------|------|-------------------|
| 1     | Regression | .420           | 7   | .060        | .024 | .000 <sup>a</sup> |
|       | Residual   | 2.674          | 205 | .013        |      |                   |
|       | Total      | 3.094          | 212 |             |      |                   |

a. Predictors: (Constant), INSTIT, COALITION, LEV, TENURE, LOGSIZE, DUALITY

b. Dependent Variable: PINDEP

**Coefficients<sup>a</sup>**

| Model |            | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig.  | Collinearity Statistics |       |
|-------|------------|-----------------------------|------------|---------------------------|-------|-------|-------------------------|-------|
|       |            | B                           | Std. Error | Beta                      |       |       | Tolerance               | VIF   |
| 1     | (Constant) | 0.5                         | 0.071      |                           | 7.056 | 0     |                         |       |
|       | INSTIT     | 0.001                       | 0.041      | 0.002                     | 0.021 | 0.984 | 0.782                   | 1.279 |
|       | COALITION  | -0.04                       | 0.026      | -0.059                    | -2.89 | 0.012 | 0.821                   | 1.218 |
|       | LEV        | 0.027                       | 0.011      | 0.159                     | 2.404 | 0.017 | 0.96                    | 1.042 |
|       | TENURE     | 0.002                       | 0.001      | 0.101                     | 1.461 | 0.146 | 0.89                    | 1.123 |
|       | LOGSIZE    | 0.003                       | 0.006      | 0.036                     | 0.52  | 0.604 | 0.856                   | 1.168 |
|       | DUALITY    | 0.018                       | 0.023      | 0.053                     | 0.774 | 0.44  | 0.889                   | 1.124 |

a. Dependent Variable: PINDEP

**Collinearity Diagnostics<sup>a</sup>**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions |        |           |      |        |         |         |
|-------|-----------|------------|-----------------|----------------------|--------|-----------|------|--------|---------|---------|
|       |           |            |                 | (Constant)           | INSTIT | COALITION | LEV  | TENURE | LOGSIZE | DUALITY |
| 1     | 1         | 5.673      | 1               | 0                    | 0      | 0.01      | 0.01 | 0.01   | 0       | 0       |
|       | 2         | 0.843      | 2.595           | 0                    | 0      | 0.02      | 0.01 | 0      | 0       | 0.82    |
|       | 3         | 0.676      | 2.897           | 0                    | 0.01   | 0.49      | 0.14 | 0.03   | 0       | 0.01    |
|       | 4         | 0.389      | 3.82            | 0                    | 0.01   | 0.26      | 0.46 | 0.25   | 0       | 0.05    |
|       | 5         | 0.279      | 4.506           | 0                    | 0.02   | 0         | 0.33 | 0.68   | 0       | 0.02    |
|       | 6         | 0.088      | 8.008           | 0                    | 0.63   | 0.16      | 0.01 | 0      | 0.08    | 0       |
|       | 7         | 0.009      | 25.185          | 0.99                 | 0.3    | 0.05      | 0.04 | 0.01   | 0.66    | 0.01    |

a. Dependent Variable: PINDEP

**Residuals Statistics<sup>a</sup>**

|                      | Minimum   | Maximum  | Mean     | Std. Deviation | N   |
|----------------------|-----------|----------|----------|----------------|-----|
| Predicted Value      | .300066   | .553122  | .416273  | .0444997       | 213 |
| Residual             | -.3120472 | .3567866 | .0000000 | .1123122       | 213 |
| Std. Predicted Value | -2.611    | 3.075    | .000     | 1.000          | 213 |
| Std. Residual        | -2.732    | 3.124    | .000     | .983           | 213 |

a. Dependent Variable: PINDEP

**APPENDIX D**  
**LIST OF COMPANIES**

| <b>No:</b> | <b>Name</b>                              |
|------------|--|
| 1          | AMTEK HOLDINGS BERHAD                    |
| 2          | APEX HEALTHCARE BERHAD                   |
| 3          | APOLLO FOOD HOLDINGS BERHAD              |
| 4          | APP INDUSTRIES BERHAD                    |
| 5          | ASIA FILE CORPORATION BHD                |
| 6          | BIOSIS GROUP BERHAD                      |
| 7          | BONIA CORPORATION BERHAD                 |
| 8          | CAB CAKARAN CORPORATION BERHAD           |
| 9          | HING YIAP KNITTING INDUSTRIES BERHAD     |
| 10         | JOHN MASTER INDUSTRIES BERHAD            |
| 11         | ORIENTAL FOOD INDUSTRIES                 |
| 12         | PADIBERAS NASIONAL BERHAD                |
| 13         | PAN MALAYSIA CORPORATION BERHAD          |
| 14         | PANASONIC MANUFACTURING MALAYSIA BHD     |
| 15         | PARAGON UNION BERHAD                     |
| 16         | PELIKAN INTERNATIONAL CORPORATION BERHAD |
| 17         | POH HUAT RESOURCES HOLDINGS BERHAD       |
| 18         | POH KONG HOLDINGS BERHAD                 |
| 19         | PROLEXUS BERHAD                          |
| 20         | REX INDUSTRY BERHAD                      |
| 21         | SERN KOU RESOURCES BERHAD                |
| 22         | SHH RESOURCES HOLDINGS BERHAD            |
| 23         | SIN HENG CHAN (MALAYA) BERHAD            |
| 24         | SPRITZER BERHAD                          |
| 25         | SYF RESOURCES BERHAD                     |
| 26         | TAFI INDUSTRIES BERHAD                   |
| 27         | TAKASO RESOURCES BERHAD                  |
| 28         | TAN CHONG MOTOR HOLDINGS BERHAD          |
| 29         | TEO GUAN LEE CORPORATION BERHAD          |
| 30         | TPC PLUS BERHAD                          |
| 31         | UPA CORPORATION BHD                      |
| 32         | XIAN LENG HOLDINGS BERHAD                |
| 33         | YEE LEE CORPORATION BHD                  |
| 34         | YEN GLOBAL BERHAD                        |
| 35         | BRITISH AMERICAN TUBACO                  |
| 36         | CARLSBERG COMPANY                        |
| 37         | DUTCH LADY BERHAD                        |
| 38         | AMWAY (MALAYSIA)                         |
| 39         | NESTLE MALAYSIA BERHAD                   |
| 40         | QL RESOURCE BERHAD                       |

|    |                                       |
|----|---------------------------------------|
| 41 | UMW HOLDINGS BERHAD                   |
| 42 | ZHULIAN BERHAD                        |
| 43 | JT INTERNATIONAL BERHAD               |
| 44 | CHOO BEE METALINDUSTRIES BERHAD       |
| 45 | FRASER & NEAVE HOLDINGS BHD           |
| 46 | ECO WORLD DEVELOPMENT GROUP BHD (ECW) |
| 47 | HUNZA PROPERTIES BERHA                |
| 48 | IGB BERHAD                            |
| 49 | IJM LAND BERHAD (IJMLD)               |
| 50 | IOI PROPERTY BERHAD                   |
| 51 | KUMPULAN EUROPLUS BHD (KEUR)          |
| 52 | LIEN HOE CORP BERHAD (LHC)            |
| 53 | KAWAN FOOD BERHAD                     |
| 54 | KBB RESOURCES BERHAD                  |
| 56 | KHEE SAN BERHAD                       |
| 57 | LEE SWEE KIAT GROUP BERHAD            |
| 58 | FORMOSA PROSONIC INDUSTRIES           |
| 59 | ENG KAH CORPORATIONS BERHAD           |
| 60 | LATITUDE TREE HOLDING BERHAD          |
| 61 | NAIM HOLDINGS BERHAD (NHB)            |
| 62 | MALAYSIA PACIFIC CORPORATION BERHAD   |
| 63 | IREKA CORPORATION BERHAD              |
| 64 | PASDEC HOLDING BERHAD (PSD)           |
| 65 | MAH SING GROUP BERHAD                 |
| 66 | PARAMOUNT CORPORATION BERHAD'S        |
| 67 | MITHRIL BERHAD                        |
| 68 | PLENITUDE                             |
| 69 | SYMPHONY IIFE BERHAD (SYML)           |
| 70 | TAHBS                                 |
| 71 | YNH PROPERTY BHD                      |